



June 20, 2007

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JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Proposed Municipal Service Review & Sphere of Influence Review for the Mesa Consolidated Water District (MSR 06-46 & SOI 06-47)

INTRODUCTION

The attached report includes the municipal service review (MSR) and sphere of influence (SOI) review for the Mesa Consolidated Water District (Mesa).

Mesa Consolidated Water District (Mesa) was formed on January 1, 1960 through the consolidation of five predecessor agencies: Newport Heights Irrigation District, Fairview County Water District, Newport Mesa County Water District, Newport Mesa Irrigation District, and the City of Costa Mesa Water Department.

Mesa provides retail water service to an 18-square mile area which includes most of the city of Costa Mesa, a portion of the City of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Mesa's sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa's service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD).

MUNICIPAL SERVICE REVIEW (MSR)

LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.

For eight of the MSR determinations, staff did not identify any significant issues for the Mesa Consolidated Water District. Mesa actively manages its water supply sources and water system. The District's infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region and for California. Mesa should consider the benefits of a tiered rate structure. No additional significant issues were identified.

Three governance structure options were identified. They included: (1) maintaining the status quo, (2) reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District, and (3) reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Costa Mesa Sanitary District. Detailed discussions of these options are provided in the attached MSR report. It is important to note that neither LAFCO nor the affected agencies are required to adopt or implement any of the potential governance structure options discussed in the MSR report.

Staff recommends that the Commission receive and file the MSR-SOI report (Attachment A) and adopt the MSR determinations (Attachment B).

SPHERE OF INFLUENCE REVIEW (SOI)

In accordance with Government Code Sections 56425 and 56430, LAFCO is required to complete sphere of influence (SOI) reviews in conjunction with municipal service reviews for each city and special district once every five years. An SOI is a long-range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts.

Staff recommends that the Commission re-affirm the current Mesa Consolidated Water District sphere of influence and requests the Commission to receive and file the MSR-SOI report (Attachment A), adopt the SOI statement of determinations for the district (Attachment C), and reaffirm the district's sphere of influence by adopting resolution SOI 07-03 (Attachment G).

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Municipal Service Review

Municipal service reviews (MSR) are subject to the California Environmental Quality Act (CEQA) and LAFCO is the lead agency. The MSR proposal is considered Categorically Exempt from CEQA pursuant to section 15306 of the CEQA guidelines.

This section exempts basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. This type of exemption may be used strictly for information gathering purposes, or as part of a study leading to an action that a public agency (in this case LAFCO) has not yet approved, adopted, or funded. The information gathered for the municipal service review will not have an effect upon an environmental resource. (See Attachment D, Notice of Exemption for the Mesa MSR.)

Sphere of Influence Review


LAFCO is the lead agency under CEQA for sphere of influence reviews. Staff reviewed the CEQA guidelines and recommends that the Commission consider the sphere of influence update for the Mesa Consolidated Water District exempt from CEQA under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of “project” contained in CEQA Guidelines Section 21065. No changes to Mesa’s existing sphere of influence are proposed and no additional environmental review is required. (See Attachment E, Notice of Exemption for the MESA SOI review.)

RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the municipal service review/sphere of influence report for the Mesa Consolidated Water District (Attachment A).
2. Find the municipal service review exempt under the statutory exemption of the California Environmental Quality Act (CEQA) Guidelines (§15306) (Attachment D).
3. Find the sphere of influence update exempt under the statutory exemption of the California Environmental Quality Act (CEQA) Guidelines (§21065) (Attachment E).
4. Adopt the MSR determinations as required by Government Code §56430 (Attachment B).
5. Adopt the SOI statement of determinations as required by Government Code §56425 (Attachment C).
6. Adopt the resolution (Attachment F) related to Mesa’s municipal service review.
7. Adopt the resolution (Attachment G) reaffirming Mesa’s current sphere of influence.

Respectfully submitted,


JOYCE CROSTHWAITE

Attachment A: MSR-SOI Report for the Mesa Consolidated Water District

Attachment B: MSR Determinations (Mesa)

Attachment C: SOI Statement of Determinations (Mesa)

Attachment D: Notice of Exemption for MSR (Mesa)

Attachment E: Notice of Exemption for SOI (Mesa)

Attachment F: LAFCO Resolution for the Mesa MSR

Attachment G: LAFCO Resolution for the Mesa SOI Review



Municipal Service Review & Sphere of Influence Study

Mesa Consolidated Water District

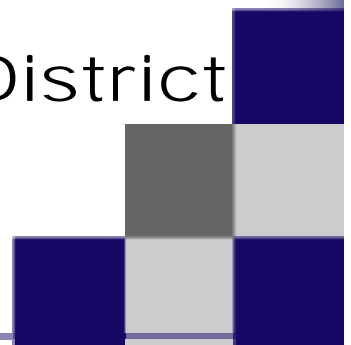




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ACRONYMS

AF	Acre foot
AFY	Acre feet per year
BPP	Basin Pumping Percentage
HCF	Hundred cubic feet
CIP	Capital Improvement Plan (or Program)
COP	Certificate of Participation
CUWCC	California Urban Water Conservation Council
CWTF	Colored Water Treatment Facility
DWR	California Department of Water Resources
FY	Fiscal Year
GWR	Groundwater Replenishment
LAFCO	Local Agency Formation Commission
MG	Million gallons
MSR	Municipal Service Review
Mesa	Mesa Consolidated Water District
MWDOC	Municipal Water District of Orange County
OCWD	Orange County Water District
SCAG	Southern California Association of Governments
SOI	Sphere of Influence
UWMP	Urban Water Management Plan



Section 1:

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

A. Background

As a result of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 LAFCO must now conduct comprehensive, regional studies, Municipal Service Reviews, (MSRs) in conjunction with updates of spheres of influence every five years. MSRs are a way to assist agencies and the public by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the future.

The MSR report and Sphere of Influence Study, which is a LAFCO document, is not intended to comprehensively analyze service provision, finances and government structure options but rather to present a “high level” overview of the issues. This MSR and Sphere of Influence Study address the Mesa Consolidated Water District (Mesa).

B. Summary

MSR Summary –Mesa

The nine determinations for Mesa are examined in great detail in this report. Staff did not identify any significant issues and, based on its analysis of the district’s structure and service provision, came to the following conclusions:

- ❖ Mesa’s infrastructure is sound and adequate. The district has adequately planned for infrastructure maintenance and improvements through its budget and capital improvement program. Future water supply demand will be modest.
- ❖ Mesa’s expenditures appear to be based on efficient methods of operation.



- ❖ Mesa's organizational structure is sound, and the district provides efficient and cost effective services.
- ❖ Mesa's rates reflect the district's actual cost of providing service to its customers and are very competitive in comparison to the other service providers.
- ❖ While Mesa could potentially consolidate or reorganize with the Costa Mesa Sanitary District and/or the City of Costa Mesa, whereby the district(s) would either merge with or become a subsidiary district of the city, a letter jointly signed by Mesa, the Costa Mesa Sanitary District and the City of Costa Mesa is included in Appendix A.

SOI Summary – Mesa

Mesa's approximately 10,000-acre sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice—on July 7, 1977 and October 1, 1986. No changes are recommended in the SOI at this time; however it is recommended that the following areas be noted as special study areas for the next cycle of MSR/SOI studies which begins in 2008.

- 1) Hoag Memorial Hospital Campus: The Hoag Memorial Hospital Campus is currently within the SOI for Mesa, but not served by the District. Mesa's SOI extends down Newport Boulevard to Pacific Coast Highway (Hwy 1), with the area to the west served by Mesa and the area to the east served by the City of Newport Beach. A hospital represents a major water demand. If Hoag Hospital will continue to be served by the City of Newport Beach for the long term, this area should be removed from the SOI for Mesa.
- 2) There are three islands within the northern portion of Mesa's service area that are not served by the District. They are within the area bounded by 405 Freeway, Highway 73 and Highway 55. These are residential land uses, with the exception of the Trinity Broadcasting Network campus. The service provider(s) for these three islands should be identified. In addition, LAFCO should obtain documentation from Mesa on the District's ability to serve those areas should the need arise.



Section 2:

AGENCY PROFILE



AGENCY PROFILE

Introduction

Mesa Consolidated Water District (Mesa) was formed on January 1, 1960 through the consolidation of four predecessor agencies: Newport Mesa County Water District (formerly Newport Heights Irrigation District), Fairview County Water District, Newport Mesa Irrigation District, and the City of Costa Mesa Water Department.

Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 647 fire line services.

Mesa's sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa's service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD).

A portion of the local groundwater supply is obtained from lower aquifers of the Orange County groundwater basin. These lower aquifers yield colored groundwater requiring treatment. Imported water is received from the Municipal Water District of Orange County (MWDOC), who purchases it from the Metropolitan Water District of Southern California (Metropolitan).

Recycled water is provided through OCWD's Green Acres Project which delivers recycled water to irrigation users within Mesa's service area reducing potable water demand. The Green Acres Project accepts secondary-treated effluent from the Orange County Sanitation District, treats it to a level approved by the State Department of Health Services, and then pumps it to Mesa's service area for resale.

The Mesa sphere of influence (SOI) is coterminous with the District's boundary (see *Figure 2.1*). The District's sphere, originally adopted by LAFCO in August 1975, was reviewed in October 1986 and has remained essentially unchanged since then. Certain areas within Mesa's boundary are not served by the District. These areas include the



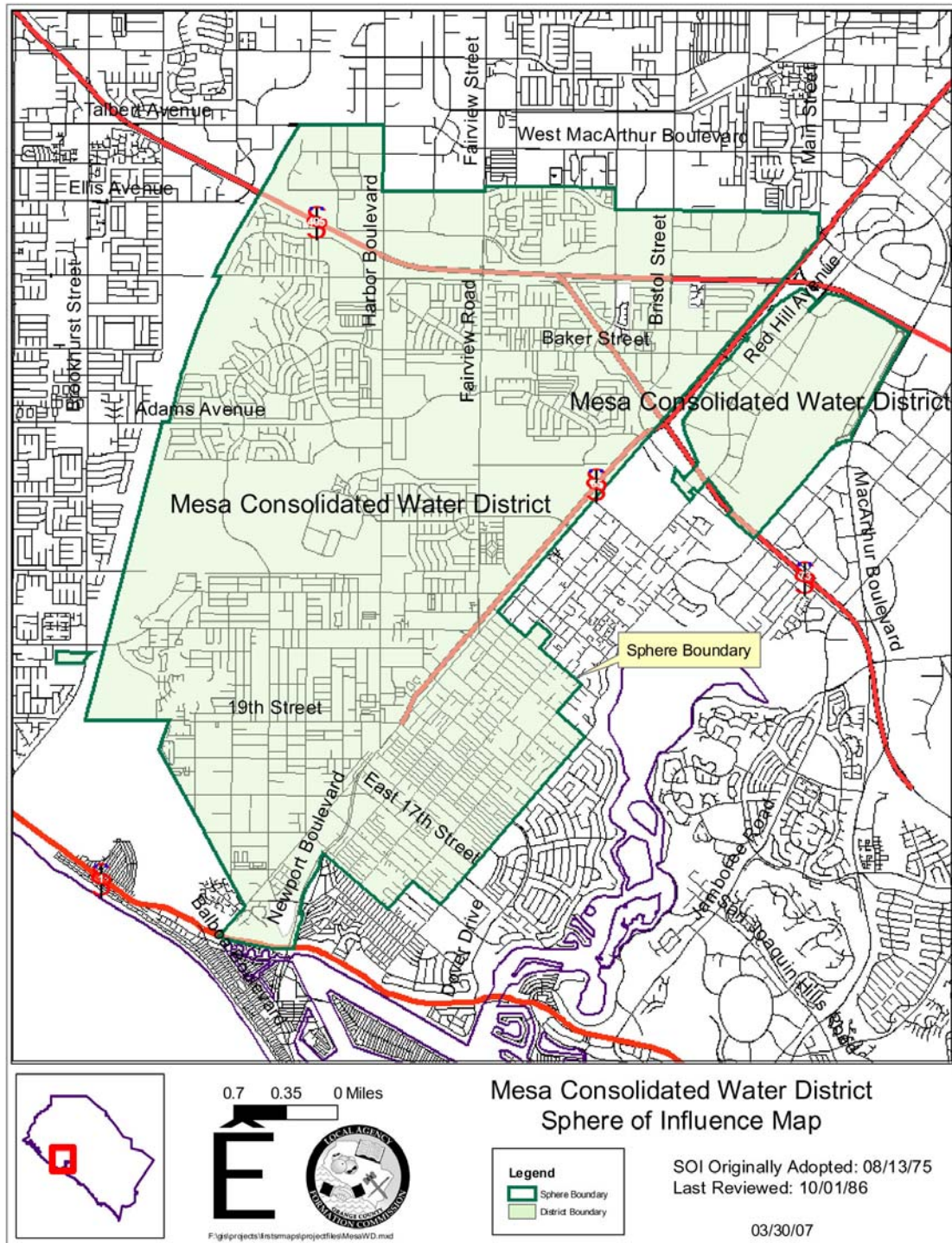
Hoag Memorial Hospital campus and three islands within the area bounded by the 405 Freeway, Highway 73, and Highway 55. These are primarily residential uses with the exception of the Trinity Broadcasting Network campus.

A profile of the District follows, as well as a map of Mesa's boundaries and current SOI.

Mesa Consolidated Water District							
Agency Information				Service Area Information			
Address:	1965 Placentia Avenue Costa Mesa CA 92627			Service Area: 2005 Population: Projected Population:	112,000		
Contact:	Victoria L. Beatley, Interim General Manager				2010	117,500	
Phone:	(949) 631-1206				2015	122,300	
Website:	www.mesawater.org				2020	126,000	
				2025	128,500		
				2030	129,100		
Financial Information (FY 2006-2007 budget) (in millions)							
Revenues:	\$25.4	Operating Budget:	\$22.0	Capital Improvement Budget:	\$5.2	Reserves at Year End (FY 4-05):	\$11.9
Service Summary							
Service Accounts:							
Number of Accounts (FY 2006-07)				22,920			
Number of Accounts Year 2030				24,782 (8% increase)			
Water Demands:							
Total Current Water Demands within Service Area (FY07)				22,600 AFY			
Estimated Water Demand in Year 2030				25,600 AFY (14% increase)			
Service Area Water Supply:							
Current Annual Basin Production Groundwater + In-lieu (FY 2006-07)				20,600 AFY			
Imported Water (FY 2006-07)				900 AFY			
Recycled Water (FY 2006-07)				1,100 AFY			
Total Estimated Water Supply (FY 2006-07)				21,940 AFY (FY 2006-07)			
Estimated Groundwater Production Year 2030				25,700 AFY			
Imported Water Year 2030				14,400 AFY			
Recycled Water Year2030				1,240 AFY			
Total Estimated Water Supply 2030				41,340 AFY (Year 2030)			



Figure 2.1 Mesa Service Area and existing Sphere of Influence





Section 3:

GROWTH & PROJECTED POPULATION





GROWTH & PROJECTED POPULATION

A. Regional Summary

Mesa's service area is largely built out. Much of the growth in mid-Orange County is expected to occur through infill development. *Table 3.1, Population Data for Costa Mesa and Surrounding Cities* summarizes the regional population in the mid-Orange County area.

Table 3.1: Population Data for Costa Mesa and Surrounding Cities								
	Population		% Change	Households		% Change	Persons per Household	
	2005	2030		2005	2030		2005	2030
Costa Mesa	113,874	129,098	13%	39,733	42,600	7%	2.87	3.03
Fountain Valley	59,250	66,107	12%	18,583	19,917	7%	3.19	3.32
Huntington Beach	204,297	223,992	10%	75,332	79,647	6%	2.71	2.81
Irvine	169,600	203,965	20%	58,122	69,022	19%	2.92	2.96
Newport Beach	83,585	94,167	13%	37,015	43,100	16%	2.26	2.18
Santa Ana	353,225	370,130	5%	73,600	75,694	3%	4.80	4.89
	983,831	1,087,459	11%	302,385	329,980	9%		

Source: SCAG 2004 Growth Forecast

Anticipated redevelopment includes single family residential uses being redeveloped into multi-family uses. This will likely be accompanied by redevelopment of commercial areas which increases the intensity of use and the daytime population. In 2006 a total of 16 major commercial and industrial projects were underway within Costa Mesa, primarily consisting of redevelopment and improvements to existing facilities.



B. Existing & Projected Population

Mesa's boundaries include most of the City of Costa Mesa with portions of Newport Beach and an unincorporated area, including the John Wayne Airport.

Because the majority of Mesa's service area is the City of Costa Mesa, the population projections adopted by the Orange County Board of Supervisors in 2004 for the City are summarized below. In 2005, the City of Costa Mesa's population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The number of households is projected to only increase by 7% to 42,600, while the number of jobs will increase 17%.

Table 3.2, *Population Projections for Mesa Consolidated Water District, 2005 – 2030* below shows projected population growth from 2005 to 2030 as shown in the District's 2005 Urban Water Management Plan.

Table 3.2: Population Projections for Mesa Consolidated Water District, 2005 - 2030							
	2005	2010	2015	2020	2025	2030	Overall Increase
Service Area Population	111,737	117,492	122,301	125,952	128,483	129,098	17,361
Avg. Annual Growth Rate		1.0%	0.8%	0.6%	0.4%	1.0%	0.6%

Sources: Mesa 2005 Urban Water Management Plan

Infill growth and redevelopment within the Mesa service area over the next twenty-five years will be important in terms of its impact on water demand. It should be noted that new construction generally achieves a much higher level of water use efficiency than older homes and buildings due to changes in the plumbing code and smaller landscaped areas.

Anticipated growth and impacts to water service have been considered in the Mesa 2005 Urban Water Management Plan and the May 2002 Water System Master Plan, as well as water supply assessments that are prepared for individual projects. Population



growth has also been considered in the 2005 Urban Water Management Plans for the regional water agencies and the groundwater basin management plans of the OCWD.¹

Mesa's service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. Mesa has considered this growth in its plans for service.

¹ Orange County Water District Municipal Service Review and Sphere of Influence Study, 2006;



Section 4:

INFRASTRUCTURE NEEDS & DEFICIENCIES



INFRASTRUCTURE NEEDS & DEFICIENCIES

A. Overview

Mesa provides service to approximately 22,920 meters and 647 fire lines within an 18 square-mile area. The primary source of water supply is local groundwater, supplemented by imported water and recycled water. Imported water is purchased from the Municipal Water District of Orange County (MWDOC), and recycled water is purchased from the Orange County Water District (OCWD) through the Green Acres Project. Mesa operates a Colored Water Treatment Facility (CWTF) to address the colored water issue for groundwater produced from lower aquifers. Mesa's 2002 Water System Master Plan and 2005 Urban Water Management Plan provide a framework for the District to prioritize and plan for adequate water supply and infrastructure in order to meet projected demands.

B. Water Sources

Groundwater Sources

Mesa's primary water source is local groundwater, which is pumped from Orange County's groundwater basin and lower aquifers. The District operates a total of nine wells, three of which are impacted by colored groundwater.

Clear Groundwater Sources

The northern portion of Mesa's service area overlies the Orange County groundwater basin, a large underground aquifer that lies beneath much of northern and central Orange County. The basin is not adjudicated, but is cooperatively managed by OCWD according to the basin management plan developed in collaboration with the



groundwater producers and adopted by the OCWD Board of Directors in December 2002.

Historically the basin has been replenished by water from the Santa Ana River and imported water purchased from Metropolitan. In 2003 the OCWD and Orange County Sanitation District initiated the Groundwater Replenishment (GWR) System, which will treat 70 million gallons per day of wastewater to an advanced tertiary level; 36,000 AFY will be used for groundwater recharge and the remaining 36,000 AFY will be used to extend the Talbert Gap seawater intrusion barrier that also recharges the groundwater basin. OCWD anticipates that this will increase allowable groundwater production without further depleting groundwater supplies. The GWR System is expected to begin operating in 2007.

Colored Groundwater Sources

While the majority of groundwater in the Orange County groundwater basin comes from the clear upper aquifers, Mesa also produces a significant quantity of water from the basin's lower aquifers. These lower aquifers are within OCWD's jurisdiction. Colored water is found in aquifers ranging from 600 to 1,200 feet. The water is high quality and extremely soft; however natural organic material from ancient redwood forests of the coastal plain gives the water an amber tint and sulfur odor which requires treatment.

While lower aquifer groundwater is more expensive to produce than the clear groundwater found in the upper aquifers, it is less expensive than purchasing imported water with costs of \$333 per AF and \$480 per AF respectively. Mesa has been pumping water from the lower aquifer since 1985 and treating it with a variety of treatment methods. The construction of the Colored Water Treatment Facility (CWTF) has allowed Mesa to increase production from the lower aquifers in recent years. The treatment process involves ozone treatment followed by biofiltration, a process that removes organic materials from colored water. Metropolitan provides financial assistance for the expanded use of lower aquifer water through its Local Resource Program.

An expansion of the existing CWTF is currently being evaluated and rates for water overall are expected to rise 20% to finance the improvements. If approved, design and construction is expected to begin in February 2008 with an anticipated completion in August 2009. With the additional CWTF production capacity, Mesa projects it will be able to supply over 95% of its potable water needs from groundwater. Furthermore, the



CWTF may provide additional supply which could be sold to neighboring retail agencies.

Groundwater Challenges

Most of Orange County's groundwater producers are using the upper aquifer. Changes in groundwater conditions as a result of increased production and reduced pressure in the upper aquifer result in increasing challenges for groundwater management. Reduced pressure allows seawater to enter into the upper aquifer. Mesa is experiencing increased color at some of its upper aquifer wells, a condition which is generally associated with lower aquifers. This migration occurs due to the difference in water levels and resulting pressure differential between the lower aquifer and upper aquifer. Wells associated with the CWTF have experienced increasing levels of chloride, total dissolved solids, and bromide. Increased bromide concentrations are present in groundwater migrating northward from Newport Mesa.

The 2002 Water System Master Plan acknowledges the need for solutions to the groundwater challenges. The approach that is being pursued to reduce the migration of colored water from the lower aquifer to the upper aquifer is to increase production from the lower aquifer to reduce differences in water and pressure levels. However, this may allow for increased seawater intrusion. Steps are being implemented to better understand the hydrogeology of Mesa and reduce the formation of bromate following ozone treatment. A catalytic carbon bromate treatment system was installed at the CWTF in FY 2003-04 and an ammonium chloride feed system will improve the cost effectiveness of the process. Mesa works closely with OCWD in managing the groundwater basin to help address water quality concerns and basin management challenges.

The Orange County groundwater basin has historically been overdrafted. Under the current groundwater management policies, OCWD evaluates recent annual production and recharge and sets an annual Basin Production Percentage (BPP). The BPP establishes a limit on how much each agency can pump in the upcoming year. The BPP is based on net water available for pumping divided by net total water demands from the previous year. The BPP may change annually due to a reduced basin level and revised basin management plans. The BPP is intended to address overdraft conditions and protect the basin from seawater intrusion. Producers that exceed the BPP are assessed an additional higher-cost Basin Equity Assessment charge to provide a disincentive to pumping over the BPP. Through this methodology OCWD is able to manage the basin resources and provide financial incentive for producers to work cooperatively in reducing any overdraft.



Imported Water Sources

Mesa supplements its groundwater with imported water purchased from MWDOC. MWDOC is a member agency of the Metropolitan Water District of Southern California. Metropolitan imports water from northern California through the State Water Project and from the Colorado River. Water is treated at Metropolitan's Robert B. Diemer Filtration Plant in Yorba Linda. Mesa has two reservoirs capable of storing water.

Mesa participates in a special conjunctive use/in-lieu program in which Mesa takes delivery of imported water in lieu of pumping clear groundwater. OCWD purchases the excess supply of imported water at in-lieu rates and Mesa pays OCWD the Replenishment Assessment and energy costs for pumping the groundwater so there is no increased expense for Mesa. This program preserves stored groundwater for periods when imported supply may be limited.

Recycled Water Sources

In 1992, Mesa began supplying recycled water to selected irrigation and agricultural customers. Currently there are 38 recycled water service connections within the Mesa service area, with customers including the City of Costa Mesa, County of Orange, Caltrans, Costa Mesa Country Club, and Orange Coast College. Mesa and OCWD have identified additional recycled water customers with an additional 840 irrigated acres should more recycled water become available.

Water Supply Projections

Table 4.1, Current and Planned Water Supplies shows the current and planned water supplies over the next twenty-five year horizon. (The groundwater projections do not factor in the CWTF expansion.)

Table 4.1: Current and Planned Water Supplies (acre feet per year)						
Water Supply Sources	2005	2010	2015	2020	2025	2030
Wholesale Provider (MWDOC)	14,400	14,400	14,400	14,400	14,400	14,400
Mesa Produced (with CWTF)	22,500	22,500	22,500	22,500	25,700	25,700
Recycled Water	1,000	1,240	1,240	1,240	1,240	1,240
Total	37,900	38,140	38,140	38,140	41,340	41,340

Source: Mesa May 2006 Water Supply Assessment



Increased production at the Colored Water Treatment Facility has been accomplished by drilling an additional well. The additional water produced by Well 11 could potentially be sold to adjacent water service providers. Mesa projects that approximately 5,650 AFY would be available. Any increase in production should be done in coordination with OCWD to ensure the long term protection of the groundwater basin and quality of the groundwater.

C. Water Demand

As discussed in *Section 3.0, Growth and Projected Population*, Mesa's service area is largely built out. Per the District's 2005 Urban Water Management Plan, water demands are projected to increase by approximately 10% versus a 14% increase in population. Projected increases in water demand are consistent across the various sectors (i.e., residential, commercial, institutional, etc.). Water demand projections are provided below in *Table 4.2, Past, Current, and Projected Water Demand*.

Table 4.2: Past, Current, and Projected Water Demand (acre feet per year)						
AF/Year/Sector	2005	2010	2015	2020	2025	2030
Single-Family	7,014	7,056	7,089	7,124	7,159	7,191
Multi-Family	6,664	6,705	6,735	6,769	6,802	6,832
Commercial	5,113	5,144	5,167	5,193	5,219	5,242
Industrial	546	550	552	555	558	560
Public Agency	2,513	2,528	2,540	2,552	2,565	2,576
Unaccounted for System Losses	874	879	883	888	892	896
Total	22,724	22,862	22,966	23,081	23,195	23,297

Source: Mesa 2005 Urban Water Management Plan

D. Balancing Supply and Demand

As shown in *Tables 4.1 and 4.2* above, water supplies are adequate to meet projected water demands when system losses are known. Factors influencing this imbalance



include climate and implementation of demand and supply management practices. The imbalance between projected demand and water supplies is a statewide issue.

Mesa's service area averages 12.91 inches of rainfall per year. Single and/or multiple dry years typically result in an increased demand on imported water supplies. In response to droughts and projected water shortages, advanced recycled water treatment technologies are continually evaluated as a means for increasing local supplies. The establishment of new supplemental funding sources through federal, state, and regional programs provides some financial incentives for local agencies to develop and make use of recycled water. Mesa encourages education, public involvement, and promotes the benefit of recycled water.

In preparation for severe drought conditions, Mesa developed a water shortage contingency plan, which was adopted on January 23, 1992, which meets the requirements of subdivision (e) of the California Water Code Section 10631. It is the policy of the Mesa to inform customers of current and projected water supply situations long before water shortages are declared. Mesa's Ordinance 8 (Emergency Water Conservation Plan) encourages and requires conservations practices and reduction during emergencies.

Mesa is a signatory to the California Urban Water Conservation Council (CUWCC) Memorandum of Understanding Regarding Urban Water Conservation in California which contains 14 Best Management Practices for water conservation. Mesa works in conjunction with the CUWCC to promote and ensure water use efficiency. Mesa has developed water use efficiency programs with MWDOC to encompass all customer classes.

E. Facilities

Mesa's domestic water distribution system consists of approximately 350 miles of distribution and transmission pipelines that range in size from 4-inches to 42-inches in diameter. The majority of the pipelines throughout the distribution system are made of asbestos cement or PVC. The transmission mains consist primarily of cement mortar lined and coated steel pipe. The major transmission pipeline that runs from east to west is owned jointly with the City of Huntington Beach. The distribution system has one pressure zone.

Mesa has two storage reservoirs with a combined capacity of 28.2 million gallons (MG). The District's Average Day Demand is 20.2 million gallons per day (MGD), with a



Maximum Day Demand of 32.3 MGD. The two reservoirs have the combined capacity to meet water demands for 1.4 average days. Reservoir No. 1 has a capacity of approximately 9.5 MG; it is a rectangular steel reinforced concrete tank constructed partially below ground. Reservoir No. 2, Kemp Reservoir, is a buried cylindrical concrete tank with a capacity of approximately 18.7 MG. Water flow into the reservoirs is controlled by a pressure sustaining valve on the inlet to each reservoir. Booster pump stations pump water from the storage reservoirs into the distribution system. The District has issues with water quality due to circulation and the amount of time water is held in the reservoir. This is being addressed through a current capital improvement project to improve the conditions.

Mesa owns and operates nine groundwater production wells. All of the wells are located in the northwest portion of the service area and are summarized below in *Table 4.3, Water Production Wells*.

Wells 5, 7, and 8 have color in the low to moderate range. Wells 4, 6 and 11 have significantly higher color levels. As discussed above, Mesa operates a Colored Water Treatment Facility to treat groundwater produced from Wells 6 and 11. The CWTF currently treats 5 MG of colored groundwater per day.

Table 4.3: Water Production Wells		
Well Name/Number:	Depth (feet)	Gallons Per Minute
Segerstrom #1 Well 1	610	2,400
Lee Pickens Well 3	600	2,300
Segerstrom #2 Well	710	3,800
Nathan L. Reade Well 5	960	3,800
William Patrick Well 7	580	1,500
Warren Booth Well 8	600	2,000
Mario Durante Well 9	610	2,100
Colored Water Treatment Facility Well 6	1,200	4,000
Colored Water Treatment Facility Well 11	1,200	4,000



Water purchased from MWDOC is imported via four imported water connections (OC-14, OC-44, CM-2 and CM-6). The imported water connection OC-44 does not connect directly into Mesa's distribution system. Water from this connection is conveyed through a transmission pipeline from OC-44, east of Mesa, through the District's service area to the west end where the City of Huntington Beach has a metered connection. The pipeline is jointly owned by Mesa and the City of Huntington Beach. Mesa has seven connections, or turnouts, to the OC-44 transmission main. Four of these turnouts are metered and the other three are inactive. There is one pressure reducing station that reduces the pressure within the OC-44 transmission main.

Facility Evaluation

Mesa continually monitors the efficiency of its facilities in order to meet the demands of the District. The District has implemented a program for continuous infrastructure renewal and improvement. The 2002 Water System Master Plan incorporates a comprehensive capital improvement program outlining facilities improvement priorities, alternatives and costs through 2008. Infrastructure improvements for FY 2006-07 and future years include the following: circulation improvements for existing storage reservoirs, fire hydrant upgrades, treatment process upgrades to meet bromate regulations at the CWTF, and acquisition of property and construction of a new production well. Replacement of plastic service lines is ongoing.

F. Summary

The majority of Mesa's water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation programs, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa's Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District's water system. Mesa regularly monitors its facilities and performs maintenance as needed. The District has established several Designated Funds to ensure that financial resources are available for improvements to its infrastructure. In FY 2006-07, the District budgeted \$5.2 million for capital improvements related to water supply, the water system and facility improvements.



Mesa actively manages its water supply sources and water system. The District's infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process.



Section 5:

FINANCING OPPORTUNITIES & CONSTRAINTS



FINANCING OPPORTUNITIES & CONSTRAINTS

A. Overview

Mesa derives the majority of its revenue through water sales and service charges; the District does not receive any property tax revenue. Projected FY 2006-07 revenues from all sources are expected to be \$25.4 million. Expenditures are \$27.2 million including \$22 million for expenses, and over \$5.2 million for capital improvements and replacements. \$1.8 million of Designated Funds will be used to fulfill the District's budgetary needs. Mesa has established five Designated Funds to ensure that the financial resources are available for the District to provide economic and efficient service.

B. Financial Review

The following *Table 5.1, Mesa Financial History and Projected Budget Overview* summarizes Mesa's financial history for FY 2004-05 and FY 2005-06, and provides the adopted FY 2006-07 budget and projected FY 2007-08 forecast.



Table 5.1: Mesa Financial History and Projected Budget Overview				
Finances	FY 2004-05 Actual	FY 2005-06 Estimated Actual	FY 2006-07 Adopted Budget	FY 2007-08 Forecast
<i>Revenue:</i>				
Water Sales	18,899,587	20,948,700	22,760,200	22,778,100
Operating Revenue	941,548	1,003,900	996,000	861,100
Non-Operating Revenue	544,614	1,572,500	1,664,200	1,178,700
TOTAL REVENUE:	20,385,660	23,525,100	25,420,400	24,817,900
<i>Expenses:</i>				
General Expenses	9,349,584	11,794,701	11,501,400	12,006,700
Financial Obligations	3,767,307	3,765,400	3,748,800	3,715,600
Labor and Benefits	5,572,366	6,159,040	7,104,209	7,447,689
Temporary Labor	69,746	53,500	12,800	10,800
Labor and Benefits Capitalized	(456,324)	(262,972)	(356,136)	(343,429)
Expenses:	18,302,679	21,509,668	22,011,073	22,837,359
Capital Expenses:	2,012,227	1,412,600	5,249,600	3,511,800
TOTAL EXPENSES:	20,314,906	22,922,268	27,260,673	26,349,159
TOTAL CHANGE TO DESIGNATED FUNDS:	70,753	602,832	(1,840,273)	1,016,900
BALANCE IN DESIGNATED FUNDS	6,148,407	6,754,239	4,913,966	5,930,866

Source: Mesa FY 2006-07 Adopted Budget

Revenues

The majority of Mesa's revenue is generated through water sales; no tax revenues are received. The District charges a Basic Charge for meters as well as a commodity charge for usage. To balance the FY 2006-07 budget, the Board authorized a 10-cent Usage Charge Increase (5%) effective July 1, 2006. Other significant revenue sources include the surcharge for water system relocations for City projects, capacity charges for new development, inspection fees and Metropolitan's Local Resources Program for the CWTF. Metropolitan provides financial assistance for the expanded use of lower aquifer water by reimbursing Mesa for a portion of the costs incurred in the production of this groundwater.



Expenses

The District's expenses are associated with the operation of the District, water supply and treatment costs as well as financial obligations. For FY 2006-07 the District budgeted \$13.8 million of water supply expenses (including \$1.85 million in capital projects), and \$5.2 million for the water system (including \$2.9 million for capital projects). The increase in General Expenses shown in *Table 5.1* above is primarily due to a \$1.5 million (21%) increase in water supply expenses from FY 2004-05 to FY 2006-07. This is coupled with a \$1.5 million (27%) increase in Labor and Benefits expenses. The largest increases for water supply expenses are related to well utilities and OCWD's basin replenishment assessment.

Capital expenditures more than doubled from FY 2004-05 to FY 2006-07. Capital expenditures were significantly lower in FY 2005-06 in preparation for projects scheduled to begin in FY 2006-07. The budget for FY 2006-07 includes \$2.2 million in new infrastructure and \$3.1 million in replacements and refurbishments. The forecast for FY 2007-08 indicates that capital expenditures will be reduced to \$3.5 million.

Designated Funds

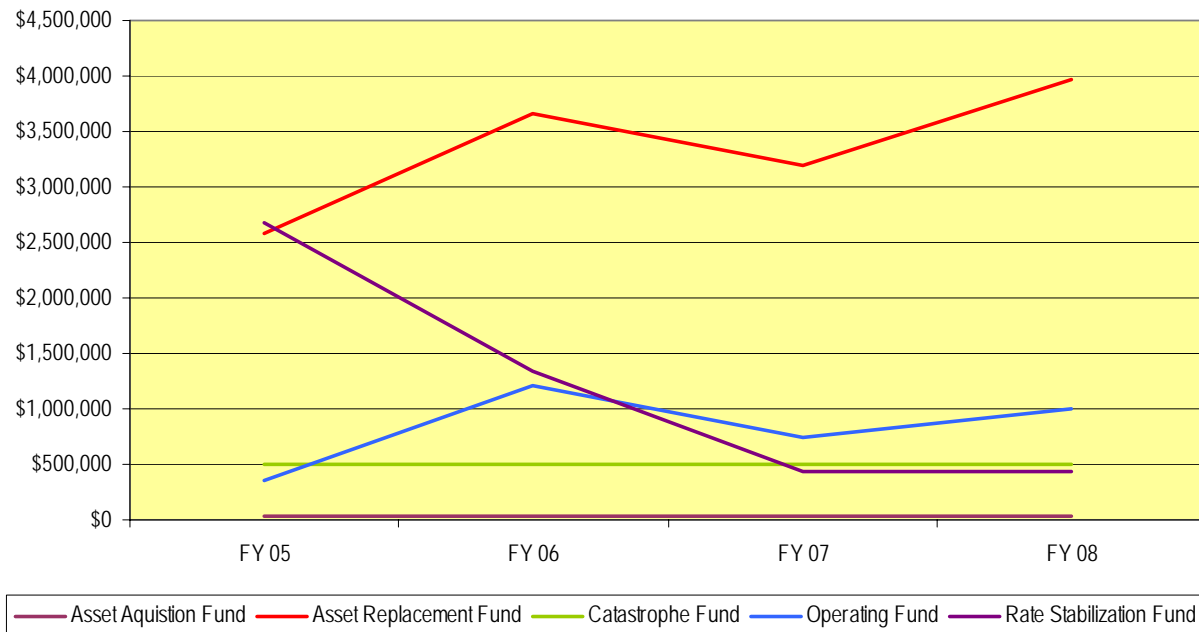
Mesa has established five Designated Funds to ensure that the financial resources are available for the District to provide reliable service (balances shown below are as of June 30, 2006):

- ***Asset Acquisition Fund:*** Used for the acquisition of capital assets (\$40,269).
- ***Asset Replacement Fund:*** Used for the replacement of capitalized assets when they reach the end of their useful lives. Interest earned on these funds remains in the fund (\$3,658,975).
- ***Catastrophe Fund:*** Used to begin repair of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed (\$500,000).
- ***Operating Fund:*** Used for unanticipated operating expenses. The target balance of this fund is 10% of the Adopted Budget (\$1,208,895).
- ***Rate Stabilization Fund:*** Used to provide flexibility to the Board of Directors when establishing rates such as absorbing temporary rate fluctuation or for one time expenditures (\$1,346,100).



The District uses the various Designated Funds to balance the budget, in accordance with the Board's policies. The Rate Stabilization Fund was used in FY 2004-05 and 2005-06 to temper the impact of cost increases on the ratepayers. The FY 2006-07 budget includes an appropriation of \$910,273 from the Rate Stabilization fund, \$463,700 from the Asset Replacement Fund, and \$716,300 from the Operating Fund to balance the budget. The District budgets for a minimum addition of \$250,000 per year to the Operating Fund. The change in fund balances is shown in *Figure 5.1* below.

Figure 5.1: Designated Fund Balance



Long Term Liabilities

Mesa has long-term debt associated with four wells, Certificates of Participation (COP) and a loan from the Department of Water Resources (DWR). At June 30, 2005 Mesa had long term debt of \$24.3 million.

The DWR loan will be paid off in FY 2006-07. The 2002 COP will be retired in March 2008. The 1998 Certificates bear interest at rates varying from 4.0% to 5.0%; the terms require principal and interest payments through March 2018. Average annual payments are approximately \$2.2 million.



Mesa has agreements with OCWD for Conjunctive Use Well Construction for Wells 1, 9, 10 and 11. These are 20-year loans and will all be retired by 2021. Average annual payments including principal and interest are approximately \$135,000.

The COPs require that annual net revenues be equal to at least 1.10 times debt service payments. The District estimates that for FY 2006-07 and FY 2007-08 the coverage ratio will be 1.86 and 1.46 respectively, well above the 1.10 requirement. At FY 2004-05, the District has the following restricted assets for long-term liabilities:

▪ Financial Obligation Service Reserves	\$2,812,914
▪ Deposits to insure against nonpayment of billings and performance guarantees	\$233,704
▪ Reserves for the DWR Loan	\$38,648
▪ Reserves for COP payments	\$1,050,226
<i>Total</i>	<i>\$4,135,492</i>

C. Financing Opportunities and Constraints

Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased \$0.5 million in FY 2004-05 and \$2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa's commitment to capital improvement and debt payment.

Mesa has revenues to continue to provide service at adequate levels, meet its debt service obligations and provide for capital needs.



Section 6:

ECONOMIES OF SERVICE



ECONOMIES OF SERVICE

This section combines the required determinations of Rate Restructuring, Cost Avoidance Opportunities, Shared Facilities and Evaluation of Management Efficiencies.

A. Rate Restructuring

As discussed in *Section 5.0 Financial Constraints and Opportunities*, the majority of Mesa's revenue is generated by water sales. Mesa has a single-tier rate structure. In addition to a Basic Charge based on meter size, customers pay a Usage Charge of \$1.99 per 100 cubic feet (748 gallons) of potable water or \$1.79 per 100 cubic feet of recycled water. Mesa receives no property tax and rates reflect the actual cost of providing service.

The current rates became effective July 1, 2006 and reflect the increased utility costs at the CWTF, increased rates of OCWD, and increased rates on imported water purchased through MWDOC. These agencies project continuing rate increases in the next several years. In addition to the Basic Charge and commodity charge, customers also pay water system relocation fees which are used to fund projects to move water utility lines required by City projects. Mesa also imposes separate fire line service charges. Lastly, on July 1, 2001 Mesa began collecting a LAFCO surcharge of \$1 per year per account to cover the District's LAFCO expenses; revenue from this surcharge was \$24,085 in FY 2005-06.

Table 6.1, Mesa Water Rates shows the breakdown in Water Usage Charges and other charges for a typical residential account.



Table 6.1: Mesa Water Rates	
Eff. July 1, 2006 (one unit = 100 cubic feet, or 748 gallons)	
<i>Usage Charges</i>	<i>Per Unit</i>
Water Supply	\$1.11
Water Quality	.16
Water System	.30
Capital Improvements	.23
Energy	.19
Potable Water:	\$1.99 per unit
Recycled Water:	\$1.79 per unit
<i>Other Charges – 5/8" meter</i>	
Basic Charge	\$7.50 per month
Water System Relocation Fee	\$0.46 per month
LAFCO Surcharge	\$1 per year
Estimated Monthly Bill – 20 units	\$47.76

**Source: Mesa Website*

Figure 6.1, *Typical Monthly Water Charges* compares the typical water charges of Mesa and surrounding retail water agencies.

**Figure 6.1: Typical Monthly Water Charges
(5/8" meter, 20 ccf usage)**

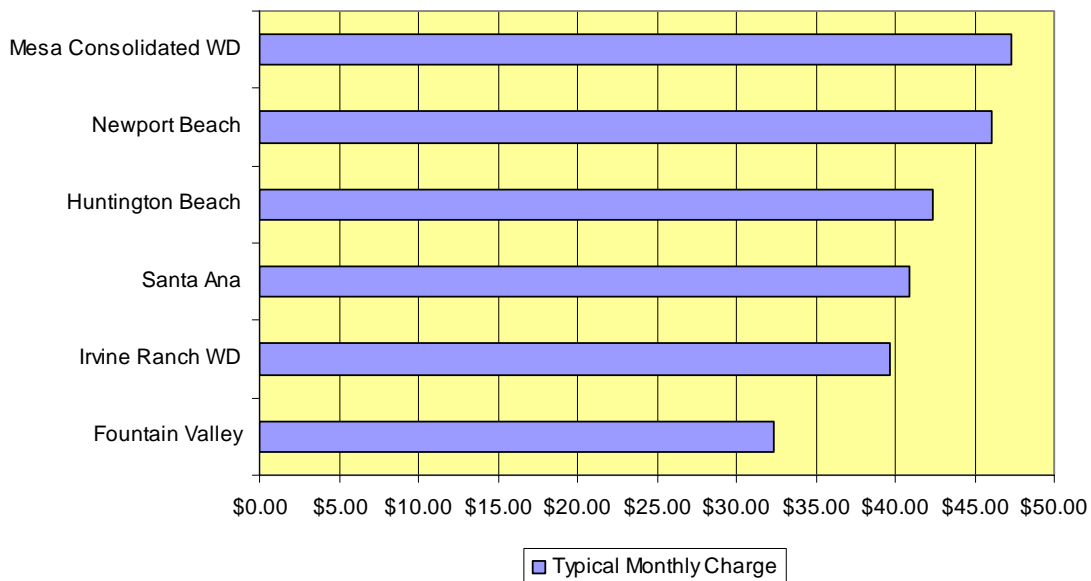




Figure 6.1, Typical Monthly Water Charges, does not present a full picture of rates since all of the agencies except Mesa receive property tax revenues which help to off-set the cost of providing service.

The District evaluates its rates regularly to ensure that the charges are sufficient to cover the cost of service. For example, the District's rate increase in July 2006 factored in a number of underlying cost increases, including a 20% increase in utility costs for the CWTF. This is consistent with the District's goal to "be financially responsible and maintain competitive rates" as well as meet its net revenue obligations on the Certificates of Participation. Over the past several years many water districts have adopted tiered rate structures to encourage and reward increased water use efficiency among customers. The District should evaluate the benefits of a tiered rate structure for its customers.

B. Cost Avoidance, Shared Facilities and Management Efficiencies

Mesa is aware of the need to minimize costs and the benefit of efficient operations, particularly in light of increased rates by OCWD and MWDOC, and a projected 20% increase in utility costs at the CWTF. The May 2002 Water System Master Plan sets the following goals:

- ❖ Reduce reliance on imported water. Mesa relies primarily on groundwater for its water supply, which benefits ratepayers because it is higher in quality and lower in cost than imported water. The Plan states a goal of achieving a minimum production mix of 75% groundwater and 25% imported water. Mesa production of colored water is intended to decrease dependency on imported supplies and does not include the 75% groundwater production limit. These goals have changed somewhat; the 2005 UWMP includes water supply projections of 7% imported, 88% local groundwater and 5% recycled water.
- ❖ Develop additional supplies of local groundwater. This is being explored via expansion of the CWTF.
- ❖ Attain flexibility to provide water from whichever source provides the lowest cost, highest quality water at any given time. Mesa is working closely and cooperatively with OCWD to address projected changes in water quality and other groundwater basin management challenges.



- ❖ Provide water to District customers at the lowest possible cost.

Mesa's annual budget includes a cost summary of the various water supply components. These are summarized below in *Table 6.2, Basic Water Supply Components*.

Table 6.2: Mesa Basic Water Supply Components (FY 2006-07, Per acre foot)	
Components	
OCWD Basin Replenishment Assessment	\$223
Well Utilities	\$92
Well Treatment and Materials	\$18
CWTF Utilities	\$147
MWD Local Resource Program Subsidy	(\$115)
CWTF Treatment and Materials	\$147
Imported Water Variable Costs	\$479.50
Recycled Water	\$314
In-Lieu Water	\$294
Imported Water Fixed Costs	
Readiness to Serve Charge	\$56,200
Capacity Charge	\$51,500
Retail Connection Charge – Total Chg	\$137,300
Retail Connection Charge – per meter	\$6.00

Mesa and the City of Huntington Beach jointly own transmission facilities that deliver treated imported water from Metropolitan. Both entities share the operation and maintenance costs of this line. The City of Huntington Beach pays Mesa for any water that it receives through this line with \$2.85 million budgeted to be received from the City for FY 2006-07.

Mesa participates in facilities sharing via its use of the Orange County groundwater basin providing water supply management, improved reliability, and provides long-term benefit to the producers and ratepayers. The OCWD's Green Acres Project, a conjunctive use project, delivers recycled water to irrigation users within Mesa's service area and also reduces Mesa potable water demand. Currently there are 38 recycled water service connections within the Mesa service area.

Mesa has a staff sharing agreement with MWD OC for water use efficiency programs, and the revenue from this program is used to fund water use efficiency programs



including residential landscape classes and conservation education. This staff sharing program began in FY 2003-04 and ended February 2007.

In terms of management efficiencies, Mesa works closely with the City of Costa Mesa on water use efficiency and infrastructure improvement projects, including water system relocations for city street improvements. Mesa also coordinates activities with the other governmental entities serving the area. Elected officials and management from Mesa, the City of Costa Mesa, and the Costa Mesa Sanitary District hold quarterly meetings to discuss issues of mutual interest.

Mesa, in conjunction with Metropolitan and MWDOC, has distributed ultra-low water use devices to residential customers at little or no cost to the customer, reducing water use by 650 AF of water per year. In addition, Mesa and City of Costa Mesa employees completed a 6-week efficient irrigation training course covering water efficient practices for outdoor water use. The training assists the employees with lowering maintenance costs, reducing water related property damage, and improving water use efficiency.

Governmental agencies within the service area prepare for emergencies together. Mesa is actively involved in the Water Emergency Response Organization of Orange County that coordinates the emergency response efforts of water agencies in the county. The Costa Mesa Fire and Police Departments work with Mesa to coordinate training exercises and emergency preparedness.

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.



Section 7:

GOVERNMENT STRUCTURE OPTIONS



GOVERNMENT STRUCTURE OPTIONS

A. Introduction

The nine MSR determinations include an examination of government structure options. Due to the broad scope of MSRs, none of the government structure options are addressed in depth. Any option identified would require more in-depth analysis to determine if the change would result in real benefits. Finally, LAFCO is not required to implement any of the governmental structure options noted in this report. The MSR is a “receive and file” report.

General advantages that might result from the reorganization of agencies include the simplification of boundaries, improved service delivery, and reduction in costs or fees due to economies of scale. Disadvantages from a change in governmental boundaries can include no actual or limited costs savings (or actual loss in revenue), little improvement in service efficiency, loss of local autonomy, and political opposition. Pursuing reorganization without the support of residents or the governing board typically increases the time and effort involved.

LAFCO must update the District’s sphere of influence, an action that will be taken concurrently by the Commission with the MSR report. No changes are recommended in Mesa’s sphere at this time.

B. Government Structure Options

The Mesa Consolidated Water District is authorized under the Costa Mesa District Merger Law (California Water Code Section 33200 et seq.). The District was formed through the merger of the Newport Heights Irrigation District, Fairview County Water District, Newport Mesa County Water District, and the Newport Mesa Irrigation



District. Mesa, originally named Costa Mesa County Water District, also succeeded to the water system owned by the City of Costa Mesa. Since the merger of the agencies preceded the formation of LAFCO by three years, special legislation was enacted, i.e., the Costa Mesa District Merger Law. Mesa is operated, managed and governed as provided by law for county water districts (Water Code Section 30000 et seq.).

Three government structure options were identified. They are:

1. Status Quo
2. Reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District
3. Reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District

Status Quo

This option would maintain the District's current SOI and boundary until the next MSR and sphere update. No major issues were identified with respect to infrastructure needs, service levels or local accountability. Mesa is operating efficiently and works cooperatively with the City of Costa Mesa and the Costa Mesa Sanitary District on common issues.

In maintaining the status quo, service would continue as directed by the Board. While this option avoids possible impacts to efficiency and rates during an organizational change, it does limit any potential long-term cost savings and efficiency benefits which might be available through a reorganization.

Reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District

Mesa and the Costa Mesa Sanitary District serve essentially the same area, with some small differences, namely in the Santa Ana Heights area. The following *Table 7.1, Comparison of Mesa and Costa Mesa Sanitary District Service Areas and SOIs* summarizes the service areas of the two districts. *Figure 7.1* depicts the boundaries and SOIs of the two districts.



Table 7.1: Comparison of Mesa and Costa Mesa Sanitary District Service Areas and SOIs

	Within Newport Beach		Within Costa Mesa		Unincorporated Area		Total	
	Acres	%	Acres	%	Acres	%	Acres	%
Mesa Service	0	0	9,429	95	461	5	9,890	100
Mesa SOI	0	0	9,429	95	461	5	9,890	100
Costa Mesa SD Service	509	5	9,363	93	204	2	10,076	100
Costa Mesa SD SOI	5	0	10,076	97	324	3	10,405	100

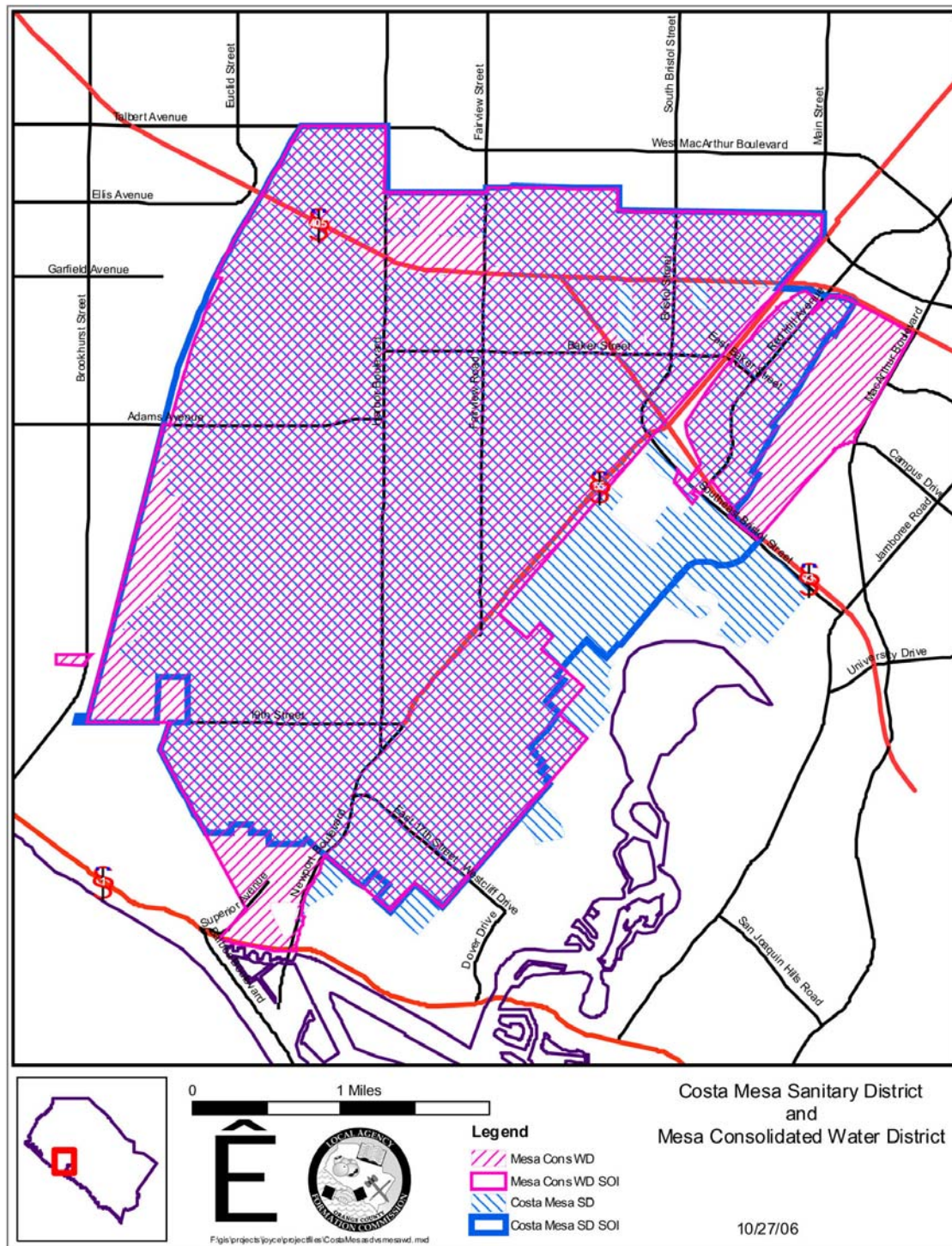
The Costa Mesa Sanitary District is currently providing sanitary sewer and curbside trash collection services. County water districts like Mesa are authorized to provide these same services under the County Water District Law but sanitary districts may not provide water service unless authorized to do so through a special act of the legislature. The two districts serve essentially the same area and have collaborated on cost saving opportunities, such as coordinating with the City on projects that affect water and sewer lines.

One government structure option identified would be the consolidation of these two districts, with Mesa as the successor district providing water, sanitary sewer and trash collection services. Potential benefits of this option could include greater economies of scale, improved efficiency and a reduction in operational costs through shared staff and administrative facilities as well as administrative functions. There would also be a reduction in Board-related costs, including elections, with only one Board of Directors.

Disadvantages or neutral effects from a change in governmental organization can include no actual or limited cost savings, little improvement in service efficiency, and political opposition. Pursuing reorganization without the support of residents or the governing board typically increases the time and effort involved.



Figure 7.1: Mesa Consolidated Water District and Costa Mesa Sanitary District





A potential reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District would require more in-depth analysis to determine if the change would result in real benefits to the ratepayers for both districts.

Reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District

The option is similar to the previous option. If reorganized the City could established a subsidiary district and could dissolve the two agencies and provide the services through departments of the City. Government Code Section §57105 states that to form a subsidiary district 70% of the area of a district AND 70% of the population must be within the city's boundaries. Both the Mesa Consolidated Water District and the Costa Mesa Sanitary District meet the 70% criterion.

The advantages of a reorganization of the three agencies would include potential savings on administrative costs including administrative staff, office facilities, and contract administration. There would also be a savings of Board-related expenses, including elections, since the City Council would either sit as the subsidiary district Board of Directors or the services would be provided through a department of the city.

The disadvantages include potential impacts to service levels. LAFCO does have the authority to reorganize special districts. However Orange County LAFCO has pursued an informal policy of encouraging special districts to suggest reorganizations when better service may be provided to customers. Special districts often cite the "inequity" in LAFCO's powers and authority and question whether cities can always provide the best service given the complexity and multiplicity of priorities cities must fund.

Special districts also note the example of cities charging enterprise funds overhead expenses and using reserves set aside for infrastructure repair and replacement to balance the general fund activities. Special districts assert that since they can focus on the provision of just one or two services, their infrastructure may be better maintained and service delivery may be more efficient and cost effective.

However, none of the agencies have expressed an interest in reorganizing the Districts with the City at this time.

C. Sphere of Influence

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates



the agency's probable future boundary and service area. Spheres are planning tools used by LAFCO to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine a sphere of influence for each local governmental agency within the county and to review each agency's SOI every five years. In determining the SOI, LAFCO must address the following sphere determinations:

1. Present and planned land uses in the area, including agricultural and open-space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

Municipal service reviews (MSRs) and sphere of influence (SOI) reviews are subject to the California Environmental Quality Act (CEQA). LAFCO is the lead agency for both MSRs and SOI reviews under CEQA. Orange County LAFCO adopted a sphere coterminous with Mesa's boundaries in 1986.

No changes in the current SOI for Mesa are recommended at this time. However two issues were noted during this service review:

- 1) Hoag Memorial Hospital Campus: The Hoag Memorial Hospital Campus is currently within the SOI for Mesa, but not served by the District. Mesa's SOI extends down Newport Boulevard to Pacific Coast Highway (Hwy 1), with the area to the west served by Mesa and the area to the east served by the City of Newport Beach. A hospital represents a major water demand. If Hoag Hospital will continue to be served by the City of Newport Beach for the long term, this area should be removed from the SOI for Mesa.
- 2) There are three islands within the northern portion of Mesa's service area that are not served by the District. They are within the area bounded by 405 Freeway, Highway 73 and Highway 55. These are residential land uses, with the exception of the Trinity Broadcasting Network campus. The service provider(s) for these



three islands should be identified. In addition, LAFCO should obtain documentation from Mesa on the District's ability to serve those areas should the need arise.

Sphere of Influence Determinations

The statement of determinations that follows is based on the analysis of the Mesa's municipal service provision.

The present and planned land uses in the area, including agricultural and open-space lands

Mesa's service territory today spans approximately 10,000 acres. The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 647 fire line services.

The district's actual service territory is mostly confined to the City of Costa Mesa. However the district also serves some unincorporated County territory. The predominant land uses within Mesa are single- and multi-family residential, commercial, light industrial, public, and semi-public. The district's service territory is generally developed, and future land uses are expected to remain relatively constant.

The present and probable need for public facilities and services in the area

Mesa's Board of Directors and management staff address the present need for facilities and services through the district's planning processes, which include the adoption of a budget, development of a Capital Improvement Program and review/adoption of other planning documents. The probable need for water in the area will increase as population grows in the service area. The service area is generally developed and modest population growth is expected over the next twenty years.



The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

Mesa has adequate capacity and facilities to provide water and sewer services to its current customer base. However, it recognizes the need for some significant capital improvement projects in the next several years and has planned accordingly.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The social and economic communities of interest relevant to this agency are the ratepayers within Mesa's jurisdictional boundaries which are also residents of the City of Costa Mesa and customers of the Costa Mesa Sanitary District.



Section 8:

LOCAL ACCOUNTABILITY & GOVERNANCE



LOCAL ACCOUNTABILITY & GOVERNANCE

A. Overview

Mesa is governed by a five-member Board of Directors elected by one of five geographic divisions. The Board appoints the General Manager, District Secretary, Assistant District Secretary, District Treasurer/ Auditor, and Assistant District Treasurer. The General Manger is responsible for the day-to-day operations and administration of Mesa in accordance with the Board's policies.

The following summarizes the governance of the District:

Mesa Consolidated Water District		
Date formed:	January 1, 1960	
Statutory Authorization:	California Water Code Section 33200 Costa Mesa District Merger Law	
Board Meetings:	Monthly on 2 nd and 4 th Tuesday, 7 p.m.	
Board of Directors	Title	Compensation
Paul E. Shoenberger	President, Division 2	\$196 per meeting up to ten (10) meetings per month
James F. Atkinson	First VP, Division 4	
Fred Bockmiller	VP, Division 1	
Trudy Ohlig-Hall	VP, Division 3	
Shawn Dewane	VP, Division 5	

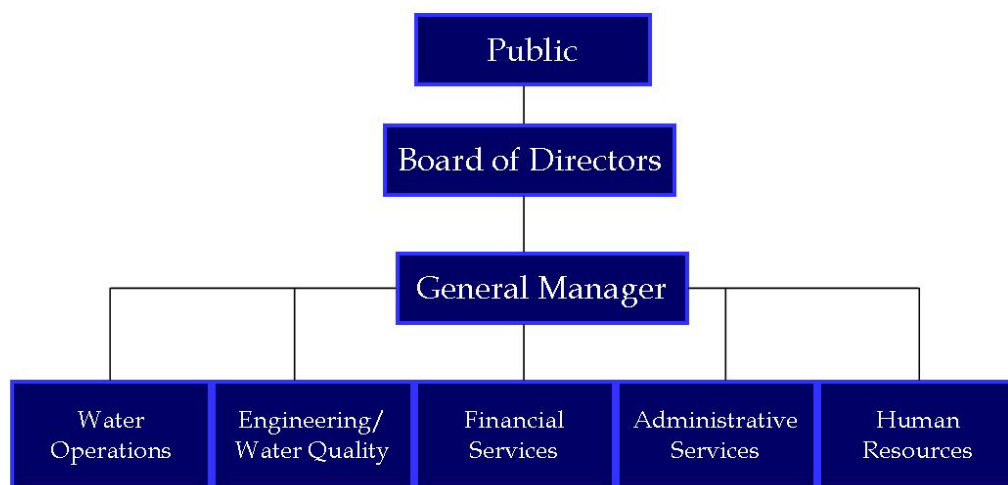


Four standing committees assist the Board with policy-making decisions. These committees consist of Board members and appropriate management staff. The committees report to the full Board of Directors on their committee efforts and make recommendations for Board action as required.

- The *Executive Committee* plans future Board agendas and schedules, proposes new policies and initiatives as appropriate, monitors and review human resources policies and practices and coordinates planning and policy issue efforts with Mesa management.
- The *Engineering & Operations Committee* monitors and reviews water supply, water quality, demand-side management, construction and system projects, and related activities.
- The *Finance Committee* reviews Mesa's financial performance, expenditures, budgets, variances, investments, and other financial policy issues.
- The *Public Information Committee* reviews Mesa's community outreach related activities, efforts, and programs as presented by Mesa staff.

An organizational chart is provided in *Figure 8.1*.

Figure 8.1: Mesa Consolidated Water District Organization Chart





The District's website (www.mesawater.org) offers a wide range of information including meeting notices, agendas and minutes, District services, conservation and education, public documents, and project information. District board meetings are held at the District's main office and they are open and accessible to the public.



No issues of local accountability and governance were identified.

APPENDIX A

ATTACHMENT B

THE NINE MSR DETERMINATIONS – Mesa Consolidated Water District

Infrastructure Needs or Deficiencies

The majority of Mesa's water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation plans, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa's Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District's water system. Mesa regularly monitors the adequacy of its facilities and performs maintenance as needed. Mesa is currently expanding its CWTF, ensuring reliability of local supplies and decreasing dependency on imported supplies. The District has established several Designated Funds to ensure that financial resources are available for infrastructure needs. In FY 2006-07, the District budgeted \$5.2 million for capital improvements related to water supply, the water system and facility improvements.

Growth and Population Projections

Using the City of Costa Mesa's population figures, in 2005, the City of Costa Mesa's population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. Mesa's service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. The District has considered this growth in its plans for service.

Staff did not identify any issues related to growth and population projections.

Financing Constraints & Opportunities

Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased \$0.5 million in FY 2004-05 and \$2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa's commitment to capital improvement and debt payment.

Cost Avoidance Opportunities/ Opportunities for Rate Restructuring/ Opportunities for Shared Facilities/ Evaluation of Management Efficiencies

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.

Government Structure Options

There were three potential governance alternatives that could be explored by Mesa and affected agencies that may improve service, reduce costs or improve efficiency of operations. They were Status Quo, the reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District and the reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District. Any reorganization of the Mesa Consolidated Water District would require more in-depth analysis to determine if the change would result in real benefits to ratepayers.

Local Accountability & Governance

No issues of local accountability and governance were identified.

SPHERE OF INFLUENCE STATEMENT OF DETERMINATIONS Mesa Consolidated Water District

The present and planned land uses in the area, including agricultural and open-space lands

Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Land uses within the District's service are varied with a predominance of residential uses.

The present and probable need for public facilities and services in the area

In 2005, the population in the MSR area was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The growth over the next 25 years will be modest; therefore the extension of infrastructure and services is expected to be minimal.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services.

Mesa's sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa's service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD). Mesa actively manages its water supply sources and water system. The District's infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region and for California.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

Mesa primarily serves the City of Costa Mesa along with the Costa Mesa Sanitary District with the three public agencies serving the same population.

NOTICE OF EXEMPTION

TO:	<input type="checkbox"/> Clerk of the Board of Supervisors or <input checked="" type="checkbox"/> County Clerk County of: Orange	FROM:	Orange County Local Agency Formation Commission 12 Civic Center Plaza, Room 235 Santa Ana, CA 92701
1.	Project Title:	Mesa Consolidated Water District Municipal Service Review (MSR 06-46)	
2.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	The project area encompasses an a eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).	
3.	(a) Project Location – City:	The project area encompasses an area of eighteen-square miles which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).	
	(b) Project Location – County:	Orange	
4.	LAFCO Action on Project:	Receive and file MSR report and adopt statement of determinations.	
5.	Description of nature, purpose, and beneficiaries of Project:	In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. LAFCO will conduct a public hearing for the Municipal Service Review on June 20, 2007. During which, there will be an opportunity for public comment on the process.	
6.	Name & Address of Public Agency approving project:	Orange County Local Agency Formation Commission 12 Civic Center Plaza, Room 235 Santa Ana, CA 92701	
7.	Name & Address of Person or Agency carrying out project:	Same as above	
8.	Exempt status: (check one)		
	(a)	<input type="checkbox"/>	Ministerial project.
	(b)	<input type="checkbox"/>	Not a project.
	(c)	<input type="checkbox"/>	Emergency Project.
	(d)	<input checked="" type="checkbox"/>	Feasibility or Planning Study
	(e)	<input type="checkbox"/>	Categorical Exemption. State type and class number:
	(f)	<input type="checkbox"/>	Declared Emergency.
	(g)	<input type="checkbox"/>	Statutory Exemption. State Code section number:
	(h)	<input type="checkbox"/>	Other. Explanation:
9.	Reason why project was exempt:	Staff recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning	

ATTACHMENT D

	Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.
10. Contact Person:	Joyce Crosthwaite, Executive Officer
Telephone:	(714) 834-2556
11. Attach Preliminary Exemption Assessment (Form "A") before filing.	

Date Received for Filing: _____

Signature (LAFCO Representative)

(Clerk Stamp Here)

Executive Officer
Title

PRELIMINARY EXEMPTION ASSESSMENT**(Certificate of Determination
When Attached to Notice of Exemption)**

1.	Name or description of project:	Mesa Consolidated Water District Municipal Service Review (MSR 06-46)							
2.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	<p>The project area encompasses an area of MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).</p> <p>In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. LAFCO will conduct a public hearing for the Municipal Service Review on June 20, 2007. During which, there will be an opportunity for public comment on the process.</p>							
3.	Entity or person undertaking project:	<p>A. Local Agency Formation Commission, Santa Ana, CA</p> <p>B. Other (Private)</p> <table border="1"> <tr> <td>(1)</td> <td>Name</td> <td></td> </tr> <tr> <td>(2)</td> <td>Address</td> <td></td> </tr> </table>		(1)	Name		(2)	Address	
(1)	Name								
(2)	Address								
4.	<p>Staff Determination:</p> <p>The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)" has concluded that this project does not require further environmental assessment because:</p>								
a.	<input type="checkbox"/>	The proposed action does not constitute a project under CEQA.							
b.	<input type="checkbox"/>	The project is a Ministerial Project.							
c.	<input type="checkbox"/>	The project is an Emergency Project.							
d.	<input checked="" type="checkbox"/>	The project constitutes a feasibility or planning study.							
e.	<input type="checkbox"/>	The project is categorically exempt.							
		Applicable Exemption Class:							
f.	<input type="checkbox"/>	The project is statutorily exempt.							
		Applicable Exemption:							
g.	<input type="checkbox"/>	The project is otherwise exempt on the following basis:							
h.	<input type="checkbox"/>	The project involves another public agency which constitutes the Lead Agency.							
		Name of Lead Agency:							

Date: May 28, 2007

Staff: _____

Joyce Crosthwaite, Executive Officer, LAFCO

NOTICE OF EXEMPTION

TO:	<input type="checkbox"/> Clerk of the Board of Supervisors or <input checked="" type="checkbox"/> County Clerk County of: Orange	FROM:	Orange County Local Agency Formation Commission 12 Civic Center Plaza, Room 235 Santa Ana, CA 92701
1.	Project Title:	Mesa Consolidated Water District Municipal Service Review (MSR 06-47)	
2.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	The project area encompasses an a eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).	
3.	(a) Project Location – City:	The project area encompasses an a eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).	
	(b) Project Location – County:	Orange	
4.	LAFCO Action on Project:	Reaffirm the existing sphere of influence and adopt the statement of determinations.	
5.	Description of nature, purpose, and beneficiaries of Project:	In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. In conjunction with Municipal Service Reviews, LAFCO is required to update an agency's sphere of influence no less than once every five years. LAFCO will conduct a public hearing for the sphere of influence review on June 20, 2007. During which, there will be an opportunity for public comment on the process.	
6.	Name & Address of Public Agency approving project:	Orange County Local Agency Formation Commission 12 Civic Center Plaza, Room 235 Santa Ana, CA 92701	
7.	Name & Address of Person or Agency carrying out project:	Same as above	
8.	Exempt status: (check one)		
	(a) <input type="checkbox"/>	Ministerial project.	
	(b) <input checked="" type="checkbox"/>	Not a project.	
	(c) <input type="checkbox"/>	Emergency Project.	
	(d) <input type="checkbox"/>	Feasibility or Planning Study	
	(e) <input type="checkbox"/>	Categorical Exemption.	
		State type and class number:	
	(f) <input type="checkbox"/>	Declared Emergency.	
	(g) <input type="checkbox"/>	Statutory Exemption.	
		State Code section number:	
	(h) <input type="checkbox"/>	Other. Explanation:	
9.	Reason why project was exempt:	The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)" has	

ATTACHMENT E

	concluded that this project does not require further environmental assessment under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of “project” contained in CEQA Guidelines Section 21065. The review determined that no modification to Costa Mesa Sanitary District’s existing sphere of influence at this time is warranted.
10. Contact Person:	Joyce Crosthwaite, Executive Officer
Telephone:	(714) 834-2556
11. Attach Preliminary Exemption Assessment (Form “A”) before filing.	

Date Received for Filing: _____

Signature (LAFCO Representative)

(Clerk Stamp Here)

Executive Officer
Title

PRELIMINARY EXEMPTION ASSESSMENT**(Certificate of Determination
When Attached to Notice of Exemption)**

1.	Name or description of project:	Mesa Consolidated Water District Municipal Service Review (MSR 06-47)								
2.	Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15' or 7 1/2' topographical map identified by quadrangle name):	<p>The project area encompasses an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).</p> <p>In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. In conjunction with Municipal Service Reviews, LAFCO is required to update an agency's sphere of influence no less than once every five years. LAFCO will conduct a public hearing for the sphere of influence review on June 20, 2007. During which, there will be an opportunity for public comment on the process.</p>								
3.	Entity or person undertaking project:	<table border="1"> <tr> <td>A.</td> <td>Local Agency Formation Commission, Santa Ana, CA</td> </tr> <tr> <td>B.</td> <td>Other (Private)</td> </tr> <tr> <td>(1)</td> <td>Name</td> </tr> <tr> <td>(2)</td> <td>Address</td> </tr> </table>	A.	Local Agency Formation Commission, Santa Ana, CA	B.	Other (Private)	(1)	Name	(2)	Address
A.	Local Agency Formation Commission, Santa Ana, CA									
B.	Other (Private)									
(1)	Name									
(2)	Address									
4.	<p>Staff Determination: The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)" has concluded that this project does not require further environmental assessment under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of "project" contained in CEQA Guidelines Section 21065. The review determined that no modification to Orange County Sanitation District's existing sphere of influence at this time is warranted.</p>									
a.	<input checked="" type="checkbox"/>	The proposed action does not constitute a project under CEQA.								
b.	<input type="checkbox"/>	The project is a Ministerial Project.								
c.	<input type="checkbox"/>	The project is an Emergency Project.								
d.	<input type="checkbox"/>	The project constitutes a feasibility or planning study.								
e.	<input type="checkbox"/>	<p>The project is categorically exempt.</p> <table border="1"> <tr> <td>Applicable Exemption Class:</td> <td></td> </tr> </table>	Applicable Exemption Class:							
Applicable Exemption Class:										
f.	<input type="checkbox"/>	<p>The project is statutorily exempt.</p> <table border="1"> <tr> <td>Applicable Exemption:</td> <td></td> </tr> </table>	Applicable Exemption:							
Applicable Exemption:										
g.	<input type="checkbox"/>	<p>The project is otherwise exempt on the following basis:</p> <table border="1"> <tr> <td></td> <td></td> </tr> </table>								
h.	<input type="checkbox"/>	<p>The project involves another public agency which constitutes the Lead Agency.</p> <table border="1"> <tr> <td>Name of Lead Agency:</td> <td></td> </tr> </table>	Name of Lead Agency:							
Name of Lead Agency:										

Date: June 20, 2007

Staff: _____

Joyce Crosthwaite, Executive Officer, LAFCO

MSR 06-46

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
MUNICIPAL SERVICE REVIEW FOR THE
MESA CONSOLIDATED WATER DISTRICT**

June 20, 2007

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission ("LAFCO") adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-46) and an accompanying sphere of influence update for the Mesa Consolidated Water District (SOI 06-47), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the municipal service review for the Mesa Consolidated Water District (MSR 06-46) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the district; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set June 20, 2007 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the Mesa Consolidated Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on June 20, 2007, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the Mesa Consolidated Water District was determined to be exempt from CEQA under State CEQA Guidelines §15262, Feasibility and Planning Studies.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The municipal service review for the Mesa Consolidated Water District (MSR 06-46) together with the written statement of determination, are determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, Feasibility and Planning Studies.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, BILL CAMPBELL, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 20th day of June, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2007.

BILL CAMPBELL
Chair of the Orange County
Local Agency Formation Commission

By: _____
Bill Campbell

THE NINE MSR DETERMINATIONS –

Mesa Consolidated Water District

Infrastructure Needs or Deficiencies

The majority of Mesa's water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation plans, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa's Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District's water system. Mesa regularly monitors the adequacy of its facilities and performs maintenance as needed. Mesa is currently expanding its CWTF, ensuring reliability of local supplies and decreasing dependency on imported supplies. The District has established several Designated Funds to ensure that financial resources are available for infrastructure needs. In FY 2006-07, the District budgeted \$5.2 million for capital improvements related to water supply, the water system and facility improvements.

Growth and Population Projections

Using the City of Costa Mesa's population figures, in 2005, the City of Costa Mesa's population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. Mesa's service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. The District has considered this growth in its plans for service.

Staff did not identify any issues related to growth and population projections.

Financing Constraints & Opportunities

Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased \$0.5 million in FY 2004-05 and \$2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa's commitment to capital improvement and debt payment.

Cost Avoidance Opportunities/ Opportunities for Rate Restructuring/ Opportunities for Shared Facilities/ Evaluation of Management Efficiencies

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.

Government Structure Options

There were three potential governance alternatives that could be explored by Mesa and affected agencies that may improve service, reduce costs or improve efficiency of operations. They were Status Quo, the reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District and the reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District. Any reorganization of the Mesa Consolidated Water District would require more in-depth analysis to determine if the change would result in real benefits to ratepayers.

Local Accountability & Governance

No issues of local accountability and governance were identified.

SOI 06-47

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
SPHERE OF INFLUENCE FOR THE
MESA CONSOLIDATED WATER DISTRICT**

June 20, 2007

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (“LAFCO”) adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-46) as an accompanying report to the sphere of influence update for the Mesa Consolidated Water District (SOI 06-47) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the sphere of influence update for the Mesa Consolidated Water District (SOI 06-46) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the district; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set June 20, 2007 as the hearing date on this sphere of influence study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the designation of a sphere of influence for the Mesa Consolidated Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on June 20, 2007, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, pursuant to the California Environmental Quality Act, the sphere of influence update for the Mesa Consolidated Water District was determined to be exempt from CEQA as not a project under State CEQA Guidelines §21065.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) Reaffirming the sphere of influence for the Mesa Consolidated Water District (SOI 06-47) is determined to be exempt from the California Environmental Quality Act (CEQA) as not a project under State CEQA Guidelines §21065.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.

Section 2. Determinations

- a) The Commission accepts the report for the sphere of influence update for the Mesa Consolidated Water District (SOI 06-47) as presented to the Commission on June 20, 2007.
- b) The Executive Officer's staff report and recommendation for approval of the sphere of influence update of the Mesa Consolidated Water District, dated June 20, 2007, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the Mesa Consolidated Water District, shown as "Exhibit A."
- c) The Commission has reaffirmed the Mesa Consolidated Water District's previous sphere of influence as shown on the attached map labeled "Exhibit B."

Section 3. This review is assigned the following distinctive short-form designation: "Sphere of Influence Update for the Mesa Consolidated Water District" (SOI 06-47).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.

COUNTY OF ORANGE)

I, BILL CAMPBELL, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 20th day of June, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2007.

BILL CAMPBELL
Chair of the Orange County
Local Agency Formation Commission

By: _____
Bill Campbell

**SPHERE OF INFLUENCE STATEMENT OF DETERMINATIONS
Mesa Consolidated Water District**

The present and planned land uses in the area, including agricultural and open-space lands

Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Land uses within the District's service are varied with a predominance of residential uses.

The present and probable need for public facilities and services in the area

In 2005, the population in the MSR area was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The growth over the next 25 years will be modest; therefore the extension of infrastructure and services is expected to be minimal.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services.

Mesa's sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa's service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD). Mesa actively manages its water supply sources and water system. The District's infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region and for California.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

Mesa primarily serves the City of Costa Mesa along with the Costa Mesa Sanitary District with the three public agencies serving the same population.

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